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# NASA Procedural Requirements

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 (NASA Only)

## Subject: Property, Plant, and Equipment and Operating Materials and Supplies

**Responsible Office: Office of the Chief Financial Officer**[| TOC](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [Chapter4](#) | [Chapter5](#) | [Chapter6](#) | [Chapter7](#) |  
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## Appendix A. Definitions

**A.1 Abandoned.** A condition in which the facility or other General PP&E asset has been "walked away from" or if no maintenance of any part of the property is being accomplished. There are no plans for future reactivation and plans have been made to demolish or declare the asset item as excess at the earliest practical date.

**A.2 Acquisition.** The act of taking legal title to tangible assets. There are various channels available in the Federal sector for tangible asset acquisition, such as purchase, fabrication, construction, transfer, lease, trade-in, and exchange.

**A.3 Acquisition Cost.** Acquisition cost is the original purchase, construction, or development cost, and includes all costs incurred to bring the property to a form and location suitable for its intended use, net of (less) any purchase discounts.

**A.4 Agency-Peculiar Equipment.** Completed items, systems and subsystems, spare parts, and components unique to NASA aeronautical and space programs. Examples include research aircraft, reusable space vehicles, ground support equipment, prototypes, and mock-ups.

**A.5 Alternative Future Use.** Having a current or planned alternative future use on another project with a separate objective identified at the beginning of a project or at the time the purchase occurred or fabrication commenced.

**A.6 Asset Attribute.** An attribute in Mdm (Metadata Manager) to identify capital assets at the individual WBS component level. When enabled, the asset attribute will be used to identify those WBS elements that support capital asset acquisition. The five WBS asset attribute types available are based on the type of asset acquisition the WBS will be supporting as follows:

- a. Theme assets.
- b. Software (Internal use software \$1M and over).
- c. Real property.
- d. PP&E - Fabricated capital assets.
- e. PP&E - Purchased capital assets.

**A.7 Bargain Price.** Price (less than fair market value) at which NASA has the option to purchase leased PP&E which makes exercise of the option almost certain.

**A.8 Buildings, Improvements, and Renovations.** Buildings, improvements, and renovations include costs of buildings, improvements and renovations to buildings, and fixed equipment required for the operation of a building that is permanently attached to and a part of the building and cannot be removed without cutting into the walls, ceilings, or floors. Examples of fixed equipment required for functioning of a building include plumbing, heating, lighting equipment, elevators, central air conditioning systems, and built-in safes and vaults.

**A.9 Bulk Purchase.** Bulk purchase for capitalization purposes is defined as a single acquisition of many separate items that, if purchased individually, would not be material, but is considered material when purchased as a single acquisition or a single acquisition of many separate items with some of the items being individually material.

**A.10 Bundled Software Products and Services.** A suite of software products or services (i.e. training, maintenance, data conversion, reengineering, site licenses, and rights to future upgrades and enhancements).

**A.11 Capitalized Assets.** Assets with a unit acquisition cost of \$100,000 or more, an estimated useful life of two years or more, which are not intended for sale in the ordinary course of operations, and that have been acquired or constructed with the intention of being used or being available for use by the Agency.

**A.12 Capitalized Internal Use Software.** Software that meets all of the following criteria:

- a. Is purchased from a commercial vendor "off-the-shelf," internally developed, or contractor-developed solely to meet the entity's internal or operational needs.
- b. Operates in a stand-alone mode and is not integrated or necessary to operate hardware or equipment.
- c. Used to operate NASA's programs (i.e., financial and administrative software including that used for project management) or to support NASA's missions (i.e., communication software designed to support multiple missions). This would be software developed independently for a mission (i.e., not part of the mission).
- d. Total projected cost is \$1,000,000 or more.
- e. Has an expected useful life of five years.

**A.13 Capital Lease.** Property lease that is equivalent to an installment purchase of property and meets the criteria of this NPR. In accordance with OMB Circular No. A-11, Preparing and Submitting Budget Estimates, (Section 33 and Appendix B), for all lease purchases and leases of capital assets, there must be sufficient budgetary resources upfront to cover the present value of the lease payments discounted using U.S. Treasury interest rates.

**A.14 Collateral Equipment.** Building-type equipment, built-in equipment, and large, substantially affixed equipment normally acquired and installed as a part of a facility project. The removal of such equipment would impair the usefulness, safety, or environment of the facility and would involve substantial cost because of the special or unique services required for the initial installation.

**A.15 Commercial Off-The-Shelf (COTS) Software.** Software purchased, leased, or licensed from a vendor and ready for use with little or no change.

**A.16 Contractor Developed Software.** Software designed, programmed, installed, and implemented by a NASA contractor, including new software and modifications of existing or purchased software without substantive NASA employee involvement other than contract monitoring.

**A.17 Contractor-Acquired Property.** Property procured or built by a contractor pursuant to the terms of the contract, but paid for and owned by NASA.

**A.18 Contractor-Held Property.** Contractor-held property is NASA-owned property in the possession of a contractor, whether furnished by NASA or acquired or fabricated by the contractor under the terms of the contract.

**A.19 Data Conversion.** Data conversion includes conversion of existing data, reconciliation, or balancing data and the creation of new/additional data.

**A.20 Depreciable Basis.** The depreciable basis of a General PP&E asset is the recorded cost reduced by the asset's salvage value. NASA's PP&E is presumed to have no residual/salvage value and therefore, residual/salvage value does not affect the depreciable basis in determining depreciation. Land is not subject to depreciation. Land rights that are for a specified period of time shall be amortized over the specified time period. When land and a building are purchased together, the depreciable basis for the building is the total purchase cost less the actual cost or estimated value of the land.

**A.21 Depreciation.** Depreciation is the systematic and rational allocation of the cost of General PP&E less its estimated salvage or residual value over the estimated useful life of the General PP&E. Depreciation expense will be recognized on all General PP&E, except for land and land rights of unlimited duration.

**A.22 Development.** Development is the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. Development includes the conceptual formulation, design, and testing of product alternative, construction of prototypes, and operation of pilot plants. It does not include routine or periodic alterations to existing products, production lines, manufacturing processes, and other ongoing operations, even though those alterations may represent improvement, and it does not include research or market testing activities.

**A.23 Estimated Economic Life.** Estimated remaining period during which the PP&E is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the

inception of the lease, without limitation by the lease term.

**A.24 Excess Property.** Property that is no longer required for an Agency's needs, as determined by the Agency head or designee.

**A.25 Equipment.** Tangible items of a durable nature used in operations, including, but not limited to, items such as word processors, typewriters, personal computers, calculators, furniture, copiers, machinery, and Automatic Data Processing (ADP) equipment (excluding ADP software).

**A.26 Fabrication.** Fabrication is the process of building or constructing a part or end item (i.e., satellites, Space Shuttle, space station, etc.). Multiple materials and supplies can be used and incorporated in a fabrication.

**A.27 Facility Project.** Consolidation of applicable specific individual facility work, including related collateral equipment, required to fully reflect all of the needs, generally relating to one facility, which have been or may be generated by the same set of events and are required to be accomplished at one time in order to provide for the planned initial operational use of the facility or a discrete portion thereof.

**A.28 Fair Value.** The price for which an asset could be bought or sold in an arm's-length transaction between unrelated parties (e.g., between a willing buyer and a willing seller). For capitalized assets, the determination of fair value will be documented and the documentation retained in accordance with NPR 1441.1, NASA Records Retention Schedules.

**A.29 Federal Accounting Standards Advisory Board (FASAB).** Board created to consider and recommend the accounting standards and principles for the Federal Government to improve the usefulness of Federal financial reports.

**A.30 Formulation Phase.** The assessment of feasibility, technology and concepts, risk assessment, team building, development of operations concepts and acquisition strategies, establishment of high-level requirements and success criteria, the preparation of plans, budgets, and schedules essential to the success of a program or project, and the identification of how the program or project supports the Agency's strategic needs, goals, and objectives.

**A.31 Free Software.** Software released to the public or other Federal agencies that advances scientific and technological knowledge, but is not used in NASA's operations. The development of such software is consistent with NASA's mission, but is not acquired or constructed with the intention of being used or being available for use by NASA.

**A.32 Heritage Assets.** Heritage assets are PP&E that are unique for one or more of the following reasons:

- a. Historical or natural significance.
- b. Cultural, educational, or artistic (i.e. aesthetic) importance.
- c. Significant architectural characteristics.

**A.33 Impaired Software.** Software no longer expected to provide substantive service potential that will be removed from service or software that has incurred a significant reduction in capability, function, or use (or a module thereof).

**A.34 Implementation Phase.** Consists of design (including configuration and interfaces), coding, installation of hardware, and testing (including parallel processing, if needed).

**A.35 Improvements to Land.** Improvements to land includes the cost of nonpermanent, depreciable improvements to land used in general operations. Also includes similar costs to land subject to stewardship reporting, as well as land rights of limited duration that are associated with general operations. The distinction between land and land improvements is that while land has an indefinite life and non-depreciable, land improvements have an estimated useful life (finite life), and it is capitalized and depreciated. Examples of land improvements include the cost of parking lots, driveways, fences, lawn, and garden sprinkler systems. The costs of land improvements are capitalized and depreciated.

**A.36 In-grant.** An in-grant is an agreement between NASA and another entity, by which NASA is allowed to use the property owned by the other entity.

**A.37 Institutional Acquisitions.** Institutional acquisitions are property used in normal operations not specific to a program or mission.

**A.38 Integrated Software.** Computer software integrated into and necessary to operate PP&E, rather than a stand-alone application.

**A.39 Interest Rate Implicit in the Lease.** Discount rate that, when applied to the minimum lease payments (less executory costs and unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased PP&E at the inception of the lease.

**A.40 Internally Developed Software.** Software developed by NASA employees, including new software and

existing or purchased software being modified with or without the assistance of contractors.

**A.41 Internal Use Software.** Internal use software is software that is purchased from commercial vendors "off-the-shelf," internally developed or contractor-developed solely to meet the entity's internal or operational needs. It is software that is:

- a. Used to operate an entity's programs (i.e., financial and administrative software, including that used for project management).
- b. Used to produce the entity's goods and to provide services (i.e., air traffic control and loan servicing).
- c. Developed or obtained for internal use and subsequently provided to other Federal entities with or without reimbursement.

**A.42 Land and Land Rights.** Land and land rights include the identifiable cost of land and land rights of unlimited duration acquired for or in connection with general property, plant, and equipment used in general operations and permanent improvements. Land and land rights accounts include not only the land, but also the rights to it, such as easements.

**A.43 Leasehold Improvements.** Leasehold improvements includes NASA-funded costs of long-term capital improvements to leases, rights, interests, and privileges relating to land not owned by NASA, such as easements, right-of-ways, permits, use agreements, air rights, water rights, and mineral rights. Leasehold improvements also include NASA-funded costs of improvements made to buildings, structures, and facilities, as well as easements and right-of-way, where NASA is the lessee or the cost is charged to a NASA contract.

**A.44 Maintenance.** The recurring day-to-day work that is required to maintain and preserve PP&E in a condition suitable for it to be utilized for its designated purpose. It is normally worked to correct wear and tear before major repair is required.

**A.45 Minimum Lease Payments.** Payments NASA is obligated to make or can be required to make in connection with leased PP&E.

**A.46 Modification.** An alteration of an existing piece of property. A modification may or may not increase the useful life of the property being modified. Modifications may extend the useful life, enlarge or improve its capacity, or change or enhance performance or functionality of the item. Only modifications that meet the capitalization criteria are added to the book value of the asset.

**A.47 . Mothballed.** A condition where a facility or any other General PP&E asset has been deactivated, and appropriate maintenance measures have been taken to prevent deterioration of its vital or essential systems or placed in protective storage. Higher first-year costs would be expected because of preparations for mothballing, but future annual costs should be significantly lower due to reduced maintenance and repair requirements. Total time to deactivate and then to reactivate the facility, including the mothballed period, is expected to exceed 12 months.

**A.48 Multi-use Heritage Assets.** Heritage assets used to serve both heritage and Government operations functions are considered multiuse heritage assets if the predominant use is in general Government operations.

**A.49 Noncancelable.** A PP&E lease is considered noncancelable if it can only be canceled under one of the following conditions: (1) upon occurrence of a remote contingency, (2) with the permission of the lessor, (3) the lessee enters into a new lease with the same lessor, or (4) the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured.

**A.50 Non-Collateral Equipment.** Equipment other than collateral equipment. Such equipment, when acquired and used in a facility or a test apparatus, can be severed and removed after erection without substantial loss of value or damage thereto or to the premises where installed. (See also Collateral Equipment.)

**A.51 Operating Materials and Supplies (OM&S).** OM&S is composed of tangible personal property to be consumed in normal business operations.

**A.52 Operational Phase.** Consists of data conversion, application maintenance, training, and deployment. Typically referred to as Phase E of the information technology project, the project deploys and operates the system developed in previous phases. During this phase, the project team that developed the system typically turns over responsibility for operation of the system to an operations team.

**A.53 Operating/Program Expenses.** Expenses incurred in conducting ordinary activities of NASA. Expenses result in outflows of assets or occurrences of liabilities. Excludes capital expenditures, unfunded expenses, and cost of goods sold.

**A.54 Other Structures and Facilities.** Other structures and facilities include costs of acquisitions and improvements of structures and facilities other than buildings; for example, airfield pavements, harbor and port facilities, power production facilities and distribution systems, reclamation and irrigation facilities, flood control and navigation aids, utility systems (heating, sewage, water and electrical) when they serve several buildings or structures,



communications systems, traffic aids, roads and bridges, railroads, monuments and memorials, and nonstructural improvements such as, sidewalks, parking areas, and fences.

**A.55 Out-grant.** An out-grant is an action by NASA granting certain rights such as leasehold, permits, and easements to the grantees to use NASA-owned property in accordance with the terms and conditions of the grant and/or agreement.

**A.56 Property Plant and Equipment (PP&E).** Tangible assets, including land, that meet all of the following criteria:

- a. Have estimated useful lives of two years or more.
- b. Are not intended for sale in the ordinary course of operations.
- c. Have been acquired or constructed with the intention of being used or being available for use by the entity.

**A.57 Real Property.** Land, buildings, other structures and facilities, and leasehold improvements.

**A.58 Recorded Cost.** The recorded cost is the acquisition cost of an asset plus any ancillary costs required to bring the asset to a form and location for its intended use.

**A.59 Repairs.** The restoration or replacement of a deteriorated item of PP&E, such that it may be utilized for its designated purpose.

**A.60 Research.** Research is a planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product service, process, or technique or in bringing about a significant improvement to an existing product or process.

**A.61 Salvage Value.** The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling the asset at the end of its useful life, but only when such proceeds (from recycle, resale, salvage, etc.) are permitted to be retained and used by NASA. Typically, personal property (i.e., vehicles and equipment) will not have a salvage value. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value. For purposes of computing depreciation, real property assets (i.e., buildings, facilities, and structures) do not have salvage values.

**A.62 Software.** Application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program.

**A.63 Software Life-Cycle Phases.** The phases through which a software application or information system passes, typically characterized as formulation, implementation, and operation.

**A.64 Special Tooling.** Special tooling means jigs, dies, fixtures, molds, patterns, taps, gauges, and all components of these items, including foundations and similar improvements necessary for installing special test equipment, and which are of such a specialized nature that without substantial modification or alteration, their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. Special tooling does not include material, special test equipment, real property, equipment, machine tools, or similar capital items.

**A.65 Special Test Equipment.** Special test equipment is "either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment, including foundations and similar improvements necessary for installing special test equipment, and standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. Special test equipment does not include material, special tooling, real property, and equipment items used for general purposes or property that, with relatively minor expense, can be made suitable for general purpose use."

**A.66 Standby.** Condition where a facility or any other General PP&E asset that is temporarily not in use and appropriate maintenance measures have been taken to maintain its vital or essential operating systems in a state of readiness or availability for future use. Selective life-cycle cost effective facilities maintenance and repair are required. Total time to deactivate and then to reactivate the facility, including the standby period, is expected to be less than 12 months.

**A.67 Theme Assets.** Assets that are the principal products of theme projects that have the possibility of an alternative future use/benefit. Theme assets will, therefore, be treated as capitalized PP&E, which is capitalized and depreciated in accordance with generally accepted accounting principles.

**A.68 Theme Projects.** Space exploration items that are specifically designed for use in a NASA program, (i.e., NASA developed and/or funded scientific experiments intended to operate outside the atmosphere).

**A.69 Useful Life.** The normal operating life in years, in terms of utility to NASA.

**A.70 Work- in-Process (WIP).** WIP consists of the costs (i.e., procured materials, labor, travel, etc.) related to the design and fabrication of an asset to bring it to a form and location for its intended use, until such time as it is

considered operational.

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